



**Glasgow City Region
Economic Briefing March 2024
Intelligence Hub**



Summary

The economy is showing signs of recovery after a period of contraction, with business activity picking up at the start of 2024. This growth is supported by an optimistic business outlook, despite concerns around inflation and weak demand.

Employment levels have shown resilience, with a record-high number of pay-rolled employees and low unemployment rates. **However, challenges remain with skill gaps and economic inactivity, highlighting the need for targeted investment.**

The slight increase in GDP towards the end of the forecast period is primarily attributed to population growth rather than gains in productivity. Real GDP per capita has declined since early 2022 **and is only expected to recover slightly by 2025, remaining nearly 1% lower than previously forecasted.**

The UK government is looking at public sector productivity, with the Productivity Institute highlighting digital transformation is one of the ways to address the financial challenges from an ageing population and rising tax burdens.

Spotlight On: Inclusivity In the Night-Time Economy (NTE)

Within the Region's Night-Time Economy, there are issues of inclusivity. A significant portion of the workforce earn low wages compared to the broader economy. Similarly, while offering flexibility for students, caregivers, and others, working arrangements often come with downsides, such as reduced job security, fluctuating income, and fewer benefits compared to full-time employment.

Lessons from London emphasise the need for:

- Fair wages,
- Enhancing employment protections to offer greater job security and equitable benefits for part-time workers, and
- Supporting workforce development through targeted education and training programs.

Note: a Glossary of all the terms used in this report can be found at the end

Economic Outlook

Following a mild recession, the UK appears to be on the road to recovery with business activity increasing in the first month of 2024.

LABOUR MARKET

GDP growth is expected to pick up this year, after a period of contraction. The Scottish Government has reported an uptick in business activity in January marking a positive start following 2023. **But concerns continue to centre around inflation and weak demand, indicating evolving challenges.**

Inflation held steady at 4% in January but is expected to decrease to the 2% target throughout the year. **As inflation pressures ease and outlooks for the year ahead are improved, businesses reportedly remain hopeful of maintaining or increasing their staffing levels, signalling an optimistic stance towards the future.**

Despite consumer sentiment remaining generally negative, indicating ongoing cost of living concerns for households, the labour market shows resilience. Scotland has seen record-high numbers of pay-rolled employees since 2014 and the lowest claimant count unemployment rate since 2019 at 3.5%. **However, challenges in supply, including skill gaps and higher economic inactivity, underscore the need for investment to address deprivation and worklessness.**

PUBLIC SECTOR
PRODUCTIVITY

GDP

Monthly real gross domestic product (GDP) is estimated to have grown by 0.2% in January 2024, following a fall of 0.1% in December 2023.

Inflation

The Consumer Price Index rose by 3.4% in the 12 months to February 2024, down from 4% in January – outperforming forecasts from analysts and reaching its lowest level for almost two and half years.

Pay

Annual growth in regular earnings has continued to fall to 6.1% from November 2023 to January 2024, and annual growth in employees' average total earnings was 5.6%.

Sources: [ONS GDP](#), [ONS Inflation](#), [ONS Pay](#), [Scot Gov](#)

The UK Budget and Improved OBR Forecast

The Office for Budget Responsibility (OBR) revised their growth for 2024 from 0.7% to 0.8% and continue to show more optimism than the Bank of England.

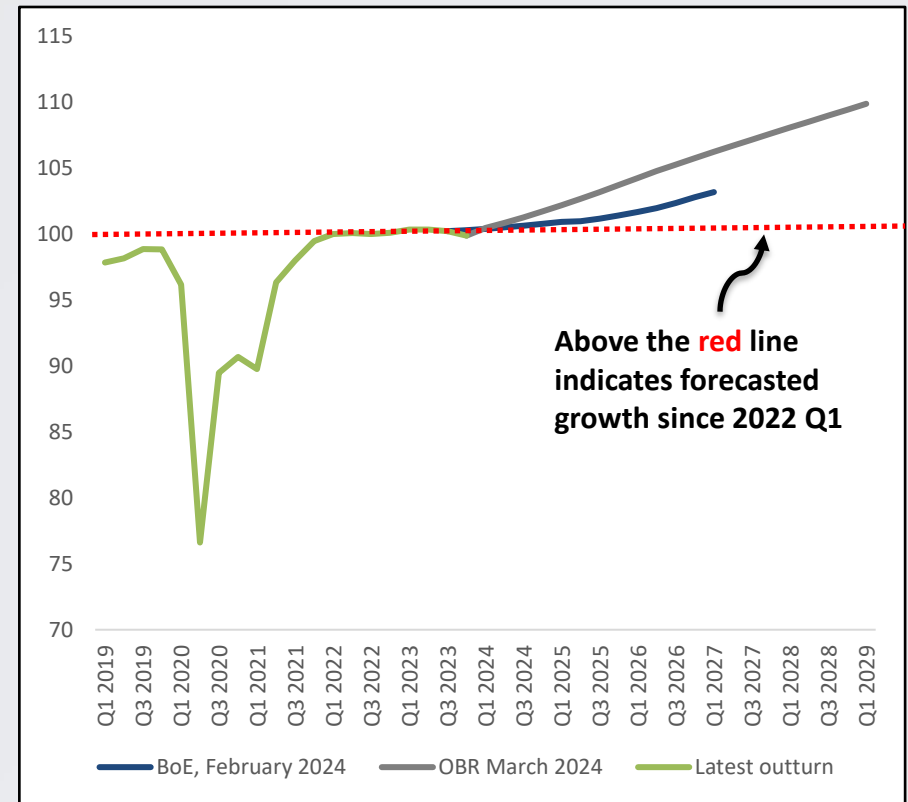
Overall, the economy saw slight growth in 2023 (0.3%) **but experienced a technical recession in the last quarter.**

The OBR forecasts a 1.9% growth in 2025, an increase from the earlier 1.4% prediction. They also anticipate a moderate economic growth of 1.8% annually from 2026 to 2028, **maintaining a slightly more optimistic view than both the Bank of England and independent forecasts.**

However, the increase in GDP at the end of the forecast period (2029) is mainly due to population growth rather than productivity gains. **Real GDP per capita will have declined since early 2022.** However, this is expected to recover slightly by 2025.

Disposable income per person is expected to see a modest real increase in 2024/25 **and return to pre-pandemic levels by 2025/26.** Despite this, and real wage increases this year, **households are likely to continue to have lower real incomes compared to before the pandemic (2019).**

Real GDP, actual and forecast (2022 Q1 =100)



Sources: [Institute for Government](#), [OBR](#)

Consumer Sentiment across Europe has Reduced

To cope with increased costs, many more shoppers are *'trading down'* to cheaper products, but at different rates according to income and age

LABOUR MARKET

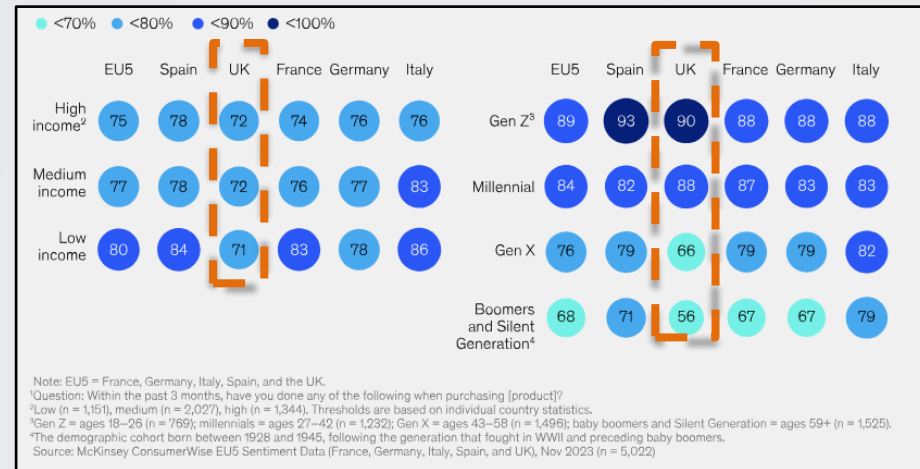
Trading down involves consumers opting for less expensive alternatives to the products and services they traditionally purchase. This might mean switching from premium brands to generic labels. Economic pressures such as wage stagnation, job insecurity, and rising costs of living have played a significant role in this trend. **As households find their disposable income squeezed, people have focused their spend on essentials over others.**

McKinsey's analysis shows that although UK consumers did not trade down as much as seen in Italy and Spain, significant rates were seen among younger generations, like Gen Z. **In fact, the gap seen among younger generations, and older generations was the largest, indicating that income by age inequality may be a larger issue within the UK.**

This has implications for the Foundational Economy, like bars and clubs, where reduced spend might put additional pressure on their operations. **Evidence from The British Beer and Pub Associations predicts that up to 750 pubs could close this year across the country.** This comes at the same time as other costs rise.

PUBLIC SECTOR
PRODUCTIVITY

Share of respondents changing their shopping behaviour and trading down, by generation and income



Sources: [McKinsey & Company](#), [Resolution Foundation](#), [The Guardian](#)

Headline Labour Market Statistics

Labour market appears to be steady, but shortages of workers may be hindering the UK and Scottish economic recovery.

Table 1: ONS Experimental Labour Market estimates from November to January 2024*

	Unemployment (%)	Unemployment (ppts) Quarter Change	Employment (%)	Employment (ppts) Quarter Change	Economic Inactivity (%)	Economic Inactivity (ppts) Quarter Change
Scotland	4.1	-0.3	74.2	0.4	22.5	-0.2
UK	3.9	0.0	75.0	-0.1	21.8	0.1

Source: [ONS](#)

The labour market is currently stable, with employment levels remaining largely unchanged and unemployment rates staying low, under 4%. **However, economic inactivity is significantly higher than before the pandemic, with an additional 700,000 individuals not participating in the labour force compared to four years ago.**

This could be due to reduced demand influenced by increased interest rates and living costs, though it has not led to a rise in layoffs or unemployment. **Vacancies have decreased yet still exceed pre-pandemic figures, standing at around 900,000 across the UK, while short-term unemployment has slightly declined in the past six months, following an increase last year.** This indicates a relatively tight labour market with ongoing, though somewhat diminished, labour and skills shortages compared to 2022. **It then appears that the main constraint on a more robust recovery might be labour and skills shortages, rather than weak demand.**

According to the Institute for Employment Studies, this data underscores the importance of engaging those out of the workforce to create inclusive and good jobs. **They argue that employers play a crucial role in creating good jobs that focus on job security, positive workplace relationships, flexibility, autonomy, and support during difficult times.**

Source: [Institute for Employment Studies](#) *These estimates use an experimental dataset

Addressing Public Sector Productivity Challenges

The Productivity Institute suggests that the public sector should focus on digital transformation to overcome productivity and budget concerns.

Facing the challenges of an ageing population and rising taxes, Chancellor of the Exchequer Jeremy Hunt has prioritised improving public sector productivity. Similarly, Michael Gove, the Secretary of State for Levelling Up, Housing, and Communities, has called for productivity improvements within local government. **Gove has urged councils to create productivity plans to improve service efficiency and cut unnecessary costs, aiming for better taxpayer money use.**

However, measuring productivity in the public sector presents unique challenges. **For instance, in sectors like Education, where the effectiveness of teaching hours is more critical than merely counting them as inputs or outputs.**

Measuring performance across the entire service chain poses challenges for the public sector, especially due to the time difference between the introduction of productivity measures and their impact. **For example, the long-term effects of education on career choices or quality of life may not be immediately apparent.**

Sources: [Productivity Institute](#); [Glasgow 5G Innovation Region](#)

Digital technologies can dramatically improve productivity in public sector operations, like enabling shared service centres for collaboration between organisations.

The *ResilienceDirect* digital platform, introduced by the UK Cabinet Office in 2014, exemplifies this innovation in the public sector to enhance emergency response coordination and collaboration.

This was designed to support emergency responders in sharing information and achieving a unified situation awareness and addresses the challenges of diverse emergency planning and response across the UK.

One of the lessons learnt from this platform was that to fully leverage the benefits, significant investments in training and skill development are essential.

To see the benefits of digital technology, a concerted effort to enhance digital skills across sectors is needed, supporting the workforce in adapting to technological advancements in both the private and public sector.

An Inclusive Economy: What It Means

Recent analysis from SIPHER has illustrated how to measure an economic inclusivity, beyond traditional measures like GDP and employment rates.

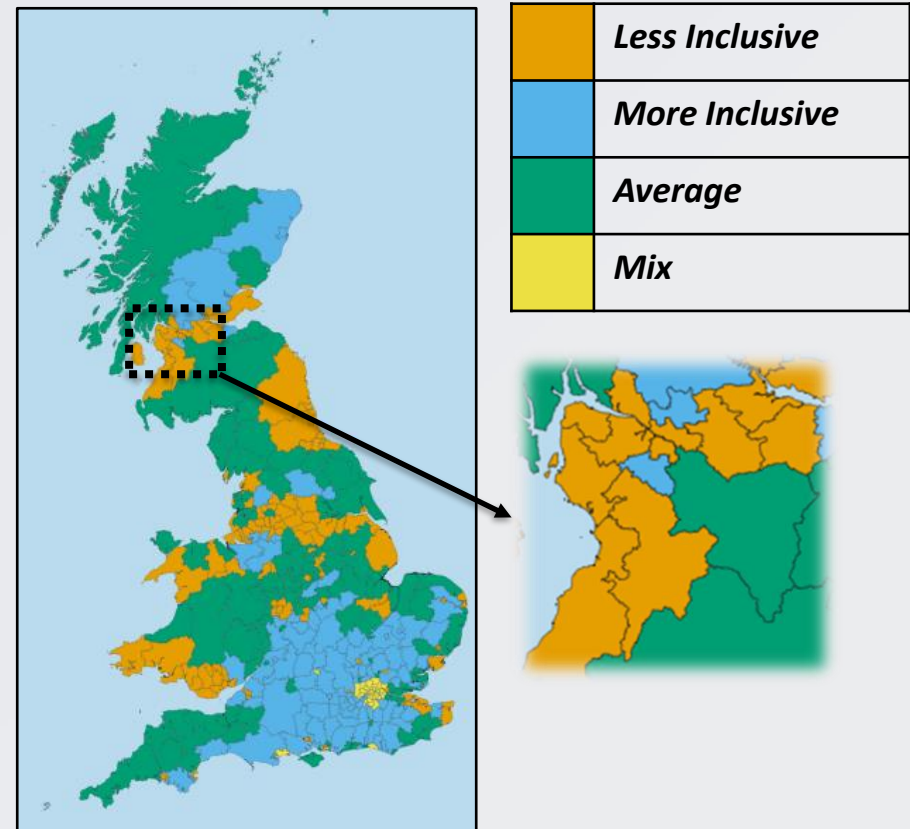
Across the UK, there has been a push to adopt broader economic metrics beyond traditional indicators. **The Inclusive Growth Commission (2017) proposed a quality GVA index to complement GDP data, highlighting the importance of social aspects in assessing growth.**

SIPHER has developed an inclusive economy dataset covering 13 indicators, focussed on inclusivity in an area's economy – **combining housing affordability, decent pay and job stability.**

Their clustering technique groups local authorities according to similar inclusive economy values. Despite seeing economic progress in recent decades, **five out of eight of the Region's authorities are grouped as being less inclusive than others in the UK.**

This indicates some of the disparities within GCR. Long-term social and economic challenges could counteract the overall progress of the Region. **GCR has ambitious targets to reduce inequality by 2030, and this new research shows the importance of investing in fair and good work.**

SIPHER Inclusive Economy Clustering



Sources: [SIPHER](#), [RSA](#), [LGA](#)

An Inclusive Economy: Night-Time Economy Case Study

The Night-Time economy (NTE) is pivotal to GCR's place vitality, significantly contributing to an area's cultural and social offering.

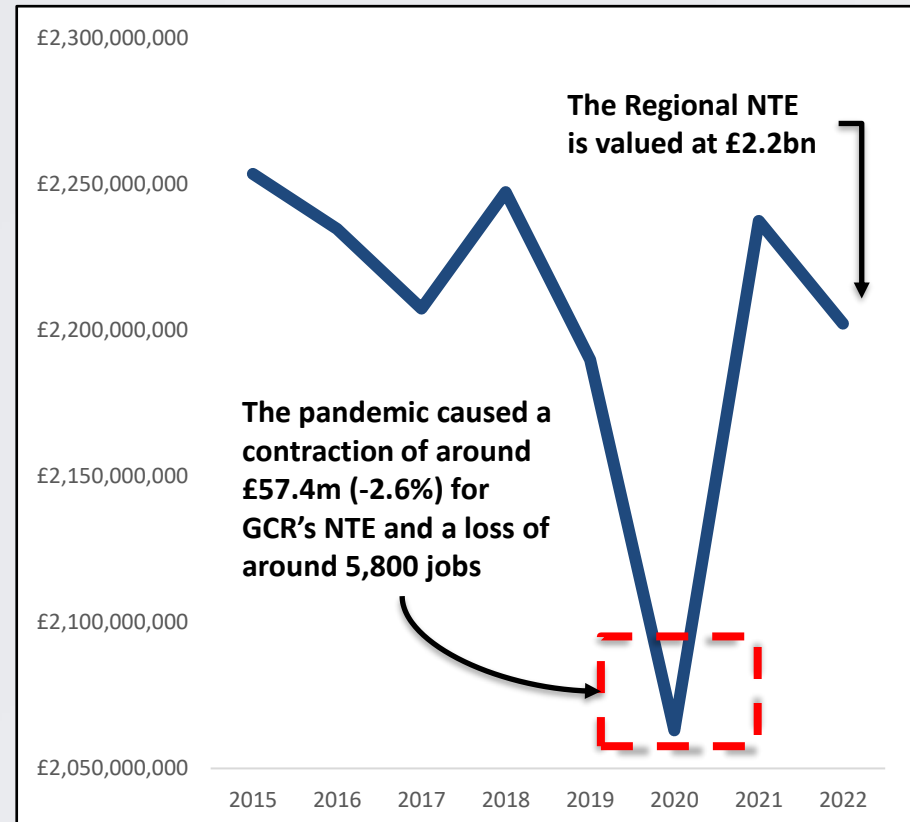
There is no precise definition of the NTE, but the ONS and others define it as economic activity that takes place between **6pm and 6am**.

At a regional level, this NTE contributes around 5% to GCR's total GVA, and comparatively Glasgow city centre's NTE alone generated around half of the GVA of Orkney in 2022.

Although other parts of GCR's economy are more productive, the comparative size of the NTE is significant and makes up a pivotal part of the Regional and local economies and social fabric.

But the pandemic showed some of the NTEs vulnerabilities and issues with inclusivity. Many NTE employees, who were employed on flexible or gig arrangements, were confronted with job losses when restrictions came into place in 2020. **This meant that many lost their employment, and the NTE's output was impacted severely by the Pandemic.**

Approximate Value (GVA) of GCR's NTE



Sources: [ONS NTE](#), [West Midlands CA](#)

An Inclusive Economy: Night-Time Economy Case Study

The NTE relies heavily on part-time workers, presenting some challenges and opportunities to enhance inclusivity.

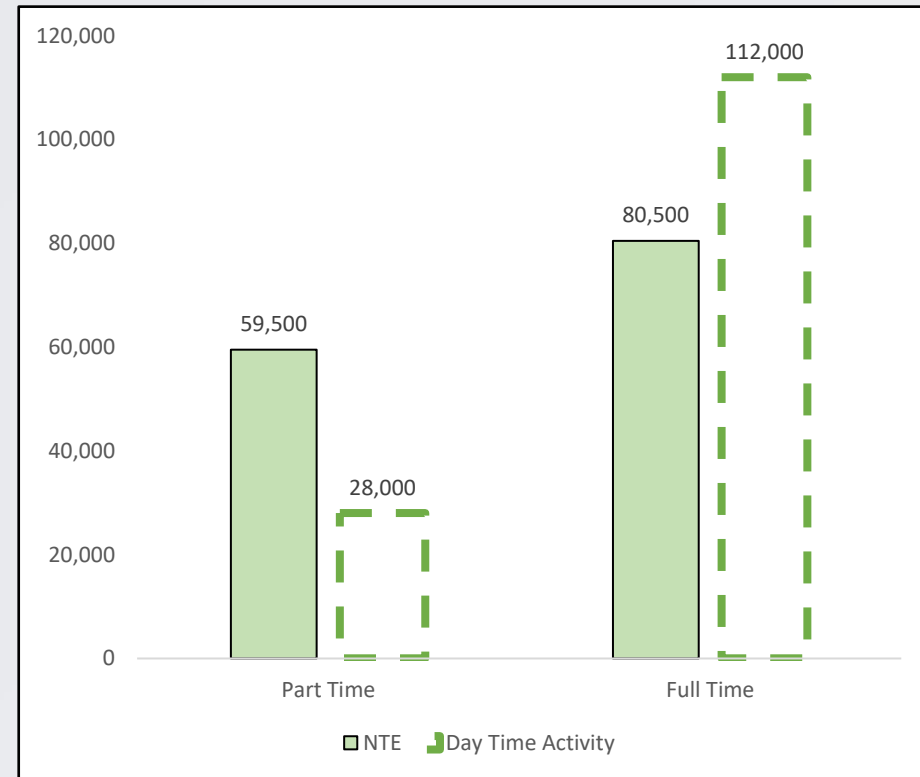
Part-time work in the night-time economy can serve as a catalyst for inclusivity by providing employment opportunities to those who might not be able to commit to full-time jobs due to various reasons. This includes students, parents, especially single parents, individuals with disabilities, and those with caregiving responsibilities.

The flexibility offered by part-time work in the night-time economy thus serves as a bridge, enabling economic participation.

But it can also mean weakened job security. Many part-time positions in the NTE are temporary contracts. **This instability can make it difficult for workers to plan their finances or future, contributing to stress and anxiety.** Furthermore, the irregular hours associated with night-time work can lead to unpredictability in income, especially when shifts are allocated based on demand, which fluctuates throughout the year.

While the NTE is flexible, there are many challenges to making it a healthy and fair workplace for those that work in it.

Approximated Number of Workers by Working Pattern in GCR's NTE 2023



Sources: [ONS NTE](#)

An Inclusive Economy: Night-Time Economy Case Study

Compared to the rest of economy, NTE workers are more likely to be lower earners.

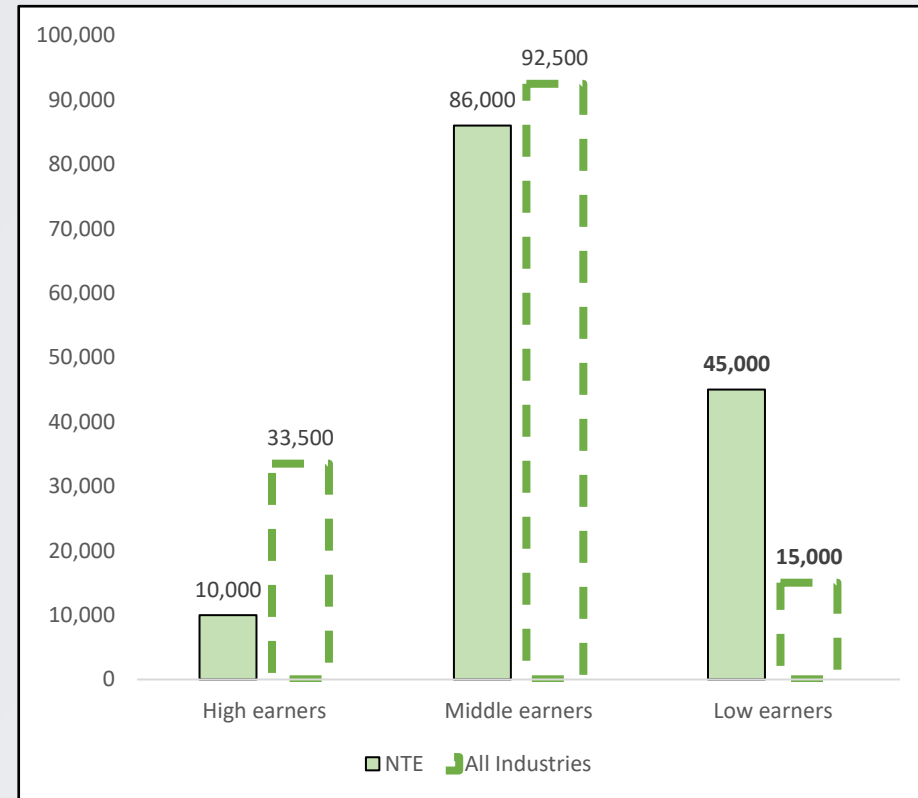
In the NTE, many workers find themselves grappling with low wages.

Around 45,000 workers (32%) of the Regional NTE are on low wages. Applying the pay split from all industries combined, shows that NTE workers are far more likely to be on lower wages, and less likely to be on higher and middle incomes.

This reality of low pay contributes to **in-work poverty**, where those who work in this economy cannot afford to partake in the economy themselves. They may struggle to afford housing, reliable transportation, and other necessities, which in turn affects their ability to fully participate in both the economy and society. **This means the becomes NTE less inclusive, with many who may not fully share in its economic benefits.**

Building an inclusive economy requires more than policies that foster fair wages. **It must also ensure job security, and career progression opportunities through upskilling**, allowing for a workforce to sustain and grow this culturally and economically important economy.

Approximated Number of Workers by Pay in GCR's NTE in 2023



Sources: [ONS NTE](#), [Productivity Institute](#)

An Inclusive Economy: Night-Time Economy Case Study

The Greater London Authority's (GLA) Night-Time Commission demonstrates some of the policy responses that can be deployed to address inclusivity in the NTE.

GLA established the Night-Time Commission in 2017. The commission was tasked with conducting a comprehensive review of London's NTE, **with a particular focus on improving the working conditions of night-time workers, enhancing safety and security, and ensuring the NTE contributes positively to the city's cultural and economic vitality.**

Among the key objectives of the Night-Time Commission, was to identify the challenges and opportunities within the NTE, especially concerning labour issues such as **low pay and precarious work.**

The Night-Time commission highlights that more than 530,000 of GLA's NTE employees are paid less than London's Living Wage.

Central to London's strategy is a focus on improving labour standards within the NTE. By advocating for policies that prioritise the welfare of these workers, London aims to mitigate the precarious nature of night-time employment, setting a standard for how cities can protect their most vulnerable workers while fostering a vibrant environment at night.

Policy Lessons

Policies aimed at improving the health and safety of night workers, including measures to combat workplace harassment and ensure safe transport options at night, were highlighted, suggesting the need for holistic worker protection regulations and policies.

These policies include enhanced transport services during night hours and a shift towards more robust public transportation options to support workers and patrons in the NTE. This includes safer, more frequent, and accessible night buses and trains.

This also includes a range of activities beyond bars and clubs like cultural venues, late-night markets, and family-friendly options. This diversification can drive economic growth and create more inclusive environments.

Sources: [Greater London Authority](#), [LGiU](#)

Glossary

Gross Domestic Product (GDP): The total monetary value of final good and services produced in a country in a given time period.

Consumer Price Index (CPI): Is a weighted-average of a basket of consumer goods and services purchased by households. Changes in measured CPI tracks changes in prices overtime.

Unemployment rate: Unemployed people are out of work but actively looking for a job and available to start work in the next two weeks. It is measured as the number of unemployed people divided by the number of economically active population (those in employment and those unemployed).

Real Household Disposable Income: Real disposable income is a measure of the purchasing power of a household or individual, taking into account the effect of inflation. It is calculated by subtracting taxes and other mandatory payments from a household's disposable income, and then adjusting for inflation.

Economic Inactivity: People who are not in the workforce are classified as economically inactive and have not been seeking work for the last four weeks and cannot start in the next two weeks.

Night-Time Economy: There is no precise definition of the 'night-time economy' (NTE). The ONS definition of economic activity that takes place between 6pm and 6am is used in this analysis

SIPHER: SIPHER at the University of Glasgow employs a systems science approach to examine complex relationships and interdependencies across various policies that impact health and wellbeing. It's part of a significant £5m research effort supported by UKPRP, aiming to improve public health and reduce inequalities by creating evidence-based tools for policy development



The background features a white central area surrounded by several overlapping, semi-transparent geometric shapes in various colors: yellow, orange, red, pink, purple, blue, teal, and green. These shapes are arranged in a circular pattern, creating a dynamic and modern aesthetic.

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